

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

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SUBJECT: Approval of Minutes of June 1 and June 3, 1999

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: July 8, 1999

INFORMATION: \_\_\_\_\_

PRESENTER(S): Chairperson

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Please see the attached minutes of the June 1, and June 3, 1999, meetings of the Teachers' Retirement Board.

PROPOSED  
MINUTES OF THE  
SPECIAL MEETING OF THE  
TEACHERS' RETIREMENT BOARD  
OPEN SESSION  
TUESDAY, JUNE 1, 1999  
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
ROBYN D. MILLER BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA

**BOARD MEMBERS PRESENT**

Emma Zink, Chairperson  
Yvonne Gallegos Bodle  
Gary Lynes  
Marty Mathiesen  
Lillian Raffel  
Beth Renge, representing the State Controller, Kathleen Connell  
Patrick Keegan, representing the Superintendent of Public Instruction, Delaine Eastin  
Philip Angelides, State Treasurer  
Annette Porini, representing the Director of Finance, Timothy Gage

**OTHER BOARD MEMBERS PRESENT**

Eileen Park

**STAFF PRESENT**

James D. Mosman, Chief Executive Officer  
Patrick Mitchell, Chief Investment Officer  
Christopher Waddell, Chief Counsel  
Jennifer DuCray-Morrill, Chief External Affairs Officer  
Elleen Okada, Director, Investment Administration and External Relations  
Michael Carter, DCEO, Client Benefits & Services  
Peggy Plett, DCEO, Administration  
Laurence Martin, DCEO, Information and Financial Services  
Ed Derman, DCEO, External Affairs and Program Development  
Mary Miles, Administrative Assistant

**OTHERS PRESENT**

Loretta Toggenburger, UTLA  
Joseph Dion, CRTA  
Beverly Carlson, CTA  
Lois Shive, CTA  
Donald Douglas, CTA  
Dorothy Moser, UTLA – Retired  
Dolores Sanchez, CFT  
Rusty Selix, ART  
Libby Ginsburg, ART  
Bill Lambert, UTLA

Edna White, CRTA  
Betty Soennichsen, CRTA  
Robert Lee, ACSA  
Ron Lingren, FAIR  
Larry Swenson, FAIR  
Dave Walrath, CRTA  
Dave Elder  
David Hawkins, FACCC  
Elizabeth Mackenzie, CRTA  
Pat Newton, CRTA  
Bill Collins, CTA  
Robert Landis, UESF  
Karen Stapf Walters, ACSA

A quorum being present, Chairperson Zink called the June 1 meeting to order at 1:03 p.m.

II. **ANNOUNCEMENTS**

There were no announcements.

III. **ACTUARIAL SURPLUS AND BENEFIT ENHANCEMENTS**

Ms. DuCray-Morrill provided a brief history of the System's contribution rates and funding, and the proposed benefits enhancements. Discussion ensued regarding the June 30, 1998 actuarial valuation of the Defined Benefit Plan.

Mr. Angelides arrived at 1:30 p.m

MOTION duly made by Chairperson Zink, seconded by Ms. Renge, and carried to take all the steps necessary to put a contract in place immediately for an independent actuary to perform reliability test on the June 30, 1998 actuarial valuation of the Defined Benefit Plan and the costs of benefit enhancements enacted in 1998. The contract shall not exceed \$100,000.

PUBLIC COMMENT: Ms. DuCray-Morrill introduced representatives from the constituency groups to express their priorities for the proposed benefit enhancements.

Mr. Collins, representing the Retirement Coalition, stated his satisfaction with funding non-vested ad hoc benefits or pre-funding a vested benefit, but would not want to rule out vested benefits as a comprehensive package of retirement bills which may be on the horizon. He requested that the Board support the pending benefit enhancement bills that are before the Legislature and proceed with the process initiated last year.

Mr. Lee, ACSA, requested that priority be given for a purchasing power increase to 80% and some equity in enhancements for both retired and active members.

Ms. Ginsburg, ART, stated the need for a purchasing power increase and a health benefit plan. Mr. Selix, ART, requested that the Board consider all the proposals.

Ms. Sanchez, CFT, hoped the Board would continue their deliberative process for health benefits, one-year final compensation, compounded COLA, and benefits for the most senior teachers.

Ms. Soennichsen, CRTA, supports long-term benefit improvements and dividing the benefits between current retirees and current teachers; ad hoc increases for maximum level of purchasing power protection especially for the oldest retirees, and a health benefit program.

Ms. Carlson, CTA, requested that the System use the same process used last year in determining the best benefit enhancement package, and that the Board take the same approach to consider all issues, funding benefits to both retired and active members.

Mr. Hawkins, FACCC, requested that the Board support each piece of legislation, let the coalition prioritize them, and that funds only be used for active and retired member benefits.

Mr. Lambert and Ms. Toggenburger, representing UTLA, recommended that the coalition be used to prioritize benefits, especially one-year final compensation, compounded COLA, gainsharing, and to achieve equity for both active and retired members.

Mr. Swenson and Mr. Lingren, FAIR, requested that the Board support SB 833 that would allow 1998 retirees to become eligible to receive the benefit enhancement package.

Mr. Elder provided some history of the System and historical references on the System's funding and benefits. Mr. Elder provided insights on COLA's, pension spiking, and ad hoc increases.

Ms. Moser, Retired UTLA, requested that the Board support gainsharing and increasing the minimum amount for older teachers.

Mr. Landis, UESF, requested that the Board support SB 833, those older teachers who are in destitute positions, and health plan for retired teachers.

STATE LEGISLATION: Mr. Derman presented the following legislative proposals.

SB 833 (Ortiz): Apply enhanced benefits to some existing retired members. Staff recommended the Board adopt a support position.

MOTION duly made by Ms. Raffel, seconded by Dr. Bodle, and carried to adopt a support position on Senate Bill 833 funded with excess earnings as determined by the Board exists. Ms. Porini abstained.

Staff was directed to prepare, for the June 3 meeting, a set of proposed principles the Board could follow in the approval process for benefit enhancements.

IV. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

There were none.

V. **ADJOURNMENT**

The meetings was adjourned at 4:15 p.m.

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James D. Mosman, Chief Executive Officer  
and Secretary to the Teachers' Retirement Board

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Emma Zink, Chairperson

PROPOSED  
MINUTES OF THE  
TEACHERS' RETIREMENT BOARD  
OPEN SESSION  
THURSDAY, JUNE 3, 1999  
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
ROBYN D. MILLER BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA

**BOARD MEMBERS PRESENT**

Emma Zink, Chairperson  
Yvonne Gallegos Bodle  
George Fenimore  
Gary Lynes  
Marty Mathiesen  
Lillian Raffel  
Kathleen Connell, State Controller  
Patrick Keegan, representing the Superintendent of Public Instruction, Delaine Eastin  
Philip Angelides, State Treasurer  
Annette Porini, representing the Director of Finance, Timothy Gage

**OTHER BOARD MEMBERS PRESENT**

Michael Picker  
Beth Renge

**STAFF PRESENT**

James D. Mosman, Chief Executive Officer  
Christopher Waddell, Chief Counsel  
Jennifer DuCray-Morrill, Chief External Affairs Officer  
Elleen Okada, Director, Investment Administration and External Relations  
Michael Carter, DCEO, Client Benefits & Services  
Peggy Plett, DCEO, Administration  
Laurence Martin, DCEO, Information and Financial Services  
Ed Derman, DCEO, External Affairs and Program Development  
Ken Costa, Director, START Project  
Francisco Lujano, Manager, Legislation, Planning and Program Development Division  
Mary Miles, Administrative Assistant

**OTHERS PRESENT**

Maureen Rice, SPL WorldGroup Consulting  
Rich Pinder, USC School of Medicine  
Dr. Bill Wright, Department of Health Services  
Edna White, CRTA  
Loretta Toggenburger, UTLA  
Beverly Carlson, CTA  
Bill Collins, CTA

Dave Elder  
Dorothy Moser, UTLA-Retired

A quorum being present, Chairperson Zink called the June 3 meeting to order at 9:06 a.m.

**III. APPROVAL OF MINUTES OF MAY 6, 1999 MEETING**

MOTION duly made by Dr. Bodle, seconded by Ms. Raffel, and carried to approve the Board Meeting Minutes of May 6, 1999, as amended.

**III. ANNOUNCEMENTS**

There were no announcements.

**IV. COMMITTEE REPORTS**

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported that the Committee, in open session, heard a panel on Credit Enhancement-School Financing, approved the concept, and directed staff to develop a policy for the School Bond Credit Enhancement Program. The Committee approved the Alternative Investment Business Plan and adopted policies on Currency Hedging and Equity Monitoring. The Committee took a support position on SB 1245 (Hayden). The Committee heard reports on the Home Loan Program, the Credit Enhancement Program, Real Estate, Alternative Investments, and the report from the Chief Investment Officer.

Mr. Lynes reported that in closed session, the Committee took a look at an investment opportunity in real estate.

BY CONSENSUS, the report of the Investment Committee was accepted.

HEALTH BENEFITS COMMITTEE: Ms. Renge, Chairperson of the Health Benefits Committee, reported that the Committee adopted the minutes of the May 4 meeting as amended. Ms. Renge reported that the responses from the member survey were tremendous, and three high schools with the highest participation received a \$100 contribution. The next Health Benefits Task Force meeting has been scheduled for June 22. The Committee heard informational reports from Central Valley Trust, Shasta Trust and the Pacific Business Group on health care.

BY CONSENSUS, the report of the Health Benefits Committee was accepted.

EXECUTIVE COMPENSATION COMMITTEE: (This item was taken out of order). Mr. Fenimore, Chairperson of the Executive Compensation Committee, reported that the Committee discussed exempt position performance plan and salary ranges, and heard an analysis of a bonus and pay raise system for exempt executives of the System. Mr. Fenimore reported that these items will be discussed at the next Committee meeting.

BY CONSENSUS, the report of the Executive Compensation Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: Dr. Bodle, Chairperson of the Benefits and Services Committee, reported that the Committee adopted rates on Credited Interest v. Minimum Interest, Future Adoptions, Regular Interest, Employer Contribution Rate for Reduced Workload Program, Credited Interest Rate – defined Benefit Plan, Minimum Interest Rate – Cash Balance Program. The Committee received the results from the Customer Survey. Dr. Bodle reported that the Telephone Center Options would be discussed at the July meeting and that the Committee discussed telephone service.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

V. **CHIEF EXECUTIVE OFFICER REPORT**

Mr. Mosman reported that the System's reserve will remain intact this fiscal year and will carry forth into the next year with some of the reserve reverting to the Trust Fund at the end of the year. Mr. Mosman also cautioned the Board the need for flexibility due to the START Project ending in March/April of 2000 that will require a substantial balloon payment to the START contractor in addition to the normal charges that are associated with that project (\$4-5 million).

Mr. Mosman informed the Board that staff will be scheduling at least a one-day meeting in August.

VI. **START PROJECT STATUS**

Mr. Costa and Ms. Rice of SPL WorldGroup Consulting, presented this item. Mr. Costa reported that the Project was still on track for a March 2000 completion date and all of the work plans were targeted for that date. Mr. Costa is currently working on contingency plans to determine what impact there would be if implementation took place using a May/June timeframe. The one outstanding issue with SPL regarding Y2K should be resolved in a week or two.

Mr. Angelides and Ms. Porini arrived at 9:30 a.m.

VII. **UPDATE ON LEGISLATION**

FEDERAL: Ms. DuCray-Morrill indicated that Congressman Archer will continue to have hearings on Mandatory Social Security; therefore, there is still a need to maintain aggressive opposition on this issue. Ms. DuCray-Morrill stated that staff is still working on the second Elk Hills appropriation, but will not know the status until September.

STATE: The Board completed the discussion on the issue of surplus and the proposed set of principles for benefits enhancements as it relates to the use of the surplus.

Dr. Connell arrived at 9:45 a.m.

MOTION duly made by Mr. Angelides, seconded by Mr. Fenimore, to approve the Principles for Benefit Enhancement. Discussion ensued. Call for the Question made by Dr. Connell, and carried to stop discussion. Motion carried.



The approved Principles are as follows: 1) Protect the long-term stability of the Teachers' Retirement Fund to pay benefits to eligible members. 2) Provide and maintain an adequate retirement allowance commensurate with each educator's career with the goal of ultimately providing an equitable floor of benefits received by members. 3) Treat similarly situated members uniformly. 4) Equitably distribute benefit improvements funded with surplus assets between active and retired members consistent with principle #2. 5) Improve access to affordable and adequate health care for members. 6) Encourage the recruitment and retention of teachers through the improvement of retirement benefits.

Mr. Angelides requested that staff bring back to the Board the best and worst ten years of portfolio performance assuming current asset allocations and how they would affect a surplus and the reliability of the surplus. Ms. DuCray-Morrill stated that staff would come back in August with the results of the reliability study. Staff was directed to waive the DVBE requirements, if necessary, to enter into the sole source contract on a timely basis.

Mr. Derman provided the following legislative proposals for approval.

99-H: Request for Approval of Proposed Legislation – Gainsharing.

MOTION duly made by Dr. Connell, seconded by Mr. Angelides, and carried to approve the proposed legislation on gainsharing. Ms. Porini abstained.

AB 596 (Honda): Service credit for Peace Corps and VISTA service. Staff recommended that the Board adopt a neutral, if amended position. Discussion ensued regarding the need to amend the bill to require that the service be consistent with activities undertaken by public school teachers and provided during a break in service and the member returns to creditable service.

MOTION duly made by Mr. Angelides, seconded by Mr. Fenimore, and carried to adopt a neutral position if the bill is amended to require that the service be consistent with activities undertaken by public school teachers and provided during a break in service and the member returns to creditable service. Ms. Porini and Mr. Lynes abstained.

Mr. Angelides left at 10:40 a.m. Mr. Picker resumed representation of the State Treasurer.

AB 724 (Dutra): Y2K remediation in state agencies. Staff recommended a neutral, if amended position.

MOTION duly made by Dr. Connell, seconded by Ms. Raffel, and carried to adopt a neutral, if amended position on AB 724. Ms. Porini abstained.

AB 684 (Honda): Compounded COLA. Staff recommended a support, if amended position.

MOTION duly made by Mr. Mathiesen, seconded by Dr. Bodle, and carried to adopt a support, if amended position on AB 684. Ms. Porini abstained.

AB 821 (PER&SS): One-year final compensation. Staff recommended that the Board adopt a support, if amended position. Dr. Connell expressed the need for CalPERS and CalSTRS to keep in harmony on these types of issues.

MOTION duly made by Mr. Picker, seconded by Dr. Bodle, to adopt a support, if amended position on AB 821. Discussion ensued. Call for the Question made by Dr. Connell, and carried to stop discussion. Motion carried. Ms. Porini abstained.

Dr. Connell left at 11:20 a.m. Ms. Renge resumed representation of the State Controller.

SB 39 (Baca): Enhanced career bonus. Staff recommended that the Board adopt a support, if amended position.

MOTION duly made by Mr. Lynes, seconded by Ms. Renge, and carried to adopt a support, if amended position on SB 39. Ms. Porini abstained.

SB 437 (Rainey): Restoration of surviving spouse benefits eliminated due to remarriage. Staff recommended that the Board adopt a support, if amended position.

MOTION duly made by Mr. Lynes, seconded by Mr. Fenimore, and carried to adopt a support, if amended position on SB 437. Ms. Porini abstained.

#### VIII. **TRAVEL**

Mr. Mosman stated that there was no proposed travel.

MOTION duly made by Ms. Porini, seconded by Mr. Fenimore, and carried to approve the travel report. Mr. Lynes abstained.

MOTION duly made by Mr. Lynes, seconded by Mr. Fenimore, and carried to approve the travel summaries as presented.

Mr. Mosman stated that the travel report should have reflected the approval for Dr. Bodle to attend the IFE Market Makers meeting.

#### IX. **CASH BALANCE PROGRAM UPDATE**

Mr. Lujano presented this item.

#### X. **CALIFORNIA TEACHERS BREAST CANCER STUDY UPDATE**

Mr. Pinder, USC School of Medicine, and Dr. Wright, Department of Health Services, provided an update on the 1994 California Teachers Breast Cancer Survey. Dr. Wright reported that 133,000 teachers responded out of over 370,000 surveys distributed. A second survey was sent in 1997 and a third follow-up survey will be sent out in 2000. The results of the survey and follow-up data should be available in two years.

Mr. Fenimore and Dr. Bodle left at 11:45 a.m.

XI. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

Ms. Carlson thanked the Board for scheduling the special meeting on June 1 and asked that the Board consider making this an annual event.

XII. **MOVED TO CLOSED SESSION**

Chairperson Zink moved into closed session at 11:54 a.m.

XIII. **ADJOURNMENT**

At 12:06 p.m., Chairperson Zink returned to open session. There being no further business to conduct, the meeting was adjourned at 12:07 p.m.

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James D. Mosman, Chief Executive Officer  
and Secretary to the Teachers' Retirement Board

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Emma Zink, Chairperson